



**Press Release  
July 11, 2017**

## **San Francisco Port Commission Approves Shipyard at Pier 70 Settlement and Issuance of Request For Proposals for New Operator**

*Actions encourage Shipyard to remain operational and provide employment opportunities for local workers*

**San Francisco, CA** - The San Francisco Port Commission today approved a settlement with BAE Systems Ship Repair, Inc. and related BAE entities (BAE). BAE is the former parent company of a prior Port of San Francisco (Port) tenant, BAE Systems San Francisco Ship Repair Inc. (BAE SF). Under the terms of the settlement, BAE will pay the Port in the amount of \$4,900,000. The settlement provides revenue to cover upkeep and improvements at the Shipyard that will help make the facility more attractive to a new, long-term operator.

“While the legal dispute continues between the Port’s former operators, the Port appreciates BAE working diligently with the Port and City Attorney’s Office to reach this settlement which will help recover operations at the Shipyard quickly,” said Elaine Forbes, Executive Director of the Port of San Francisco. “The Port is grateful for its dedicated labor and development partners that have helped ensure local jobs at the Shipyard during this interim period of operations.”

Additionally, in order to capitalize on the benefits to the Shipyard flowing from the settlement, the Port Commission authorized Port staff to issue a Request for Proposals (RFP) for a new Shipyard operator. The facilities are located at Piers 68 and 70 and Seawall Lot 349 near 20th Street and Illinois Street, including Dry Dock Eureka and Dry Dock #2. The opportunity consists of a lease for the Shipyard which includes nearly 15 acres of land with numerous buildings, over 17 acres of submerged land, and Port-owned equipment, including cranes, Dry Dock #2, the Dry Dock Eureka and a Shoreside Power System. Through consultant analysis and informal industry contacts, the Port anticipates that several operators will be interested in pursuing the right to long term operations at the Shipyard. As a result of today’s approval action, Port Commission selection, award and lease approval could be complete as early as October 2017, subject to the completion of required due diligence on the property and detailed analysis of qualified responses.

“These two actions by the Port Commission will encourage the Shipyard to remain operational and provide employment opportunities for San Francisco workers,” said Port Commission President Willie Adams. “We will continue to act quickly, so the local union jobs return to our shipyard and City.”

The Port and BAE SF entered into a twenty-year Port Lease for the Shipyard commencing on May 1, 2015. BAE Systems Ship Repair, Inc., the parent of BAE SF, and Puglia Engineering, Inc. (Puglia) entered into a Purchase and Sale Agreement on or about December 1, 2016 that transferred all BAE SF corporate shares, assets and interests in the Shipyard (including the prior Lease) to Puglia effective January 2017. The Port, by way of a triparty agreement between BAE SF, Puglia and the Port, consented to the transfer on December 30, 2016.

In February 2017, Puglia Engineering, Inc. filed a notice of imminent closure of the Shipyard at Pier 70 under the WARN Act as a result of legal disputes between Puglia and the prior operator and Port tenant, BAE SF and related BAE entities, regarding BAE's transfer of the Shipyard to Puglia.

In February 2017, the Port and Puglia negotiated an interim operating agreement for continued operation of the Shipyard through the end of May 2017. This interim agreement helped protect local jobs. Since May 27, 2017 the Port has been paying all expenses for maintaining the Shipyard in a safe, secure, and steady-state and plans to do so for the next several months while it prepares the site for the next tenant and Shipyard operator. In June 2017, the Port implemented security staffing and other strategies dedicated to protecting the Shipyard's future viability. Port staff has conducted a thorough review of Shipyard operations and the capital condition of the facility to prepare the yard for a future operator. Additionally, through a neighboring Port developer, Orton Development Inc. (ODI), the Port facilitated the hiring of several former Shipyard workers to ensure the Shipyard remains safe and secure during the interim operational period and to assist in strategic planning for the future.

The Shipyard has operated for nearly 150 years. Ship repair has been a leading San Francisco industry since the Gold Rush and remains one of San Francisco's leading employers of skilled union crafts, employing an average of 250 highly trained crafts persons year-round that represent 22 trades across 11 local trade unions. The Port believes that there is a viable future for the Shipyard and it remains committed to continuing this important maritime activity and protecting local jobs.

#### **About the Port of San Francisco**

The Port of San Francisco manages the waterfront as the gateway to a world-class city, and advances environmentally and financially sustainable maritime, recreational and economic opportunities to serve the City, Bay Area, and California.

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